

Chief, St/I

7 October 1958

MEMO : Chief, D/S

Chief, S/TF

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Targets on Hungary.

OBJECTIVE

All targets listed below are sought under objective II d. of DCID 1/3, dated 21 April 1958:

The strengths and weaknesses of the Soviet (including Satellite) economy, with particular reference to its ability to support a major war; the motivation, character, and magnitude of current economic development progress, their implementation and their effect upon the economic, political, and military strength of the Soviet Bloc; the capabilities and vulnerabilities of the Soviet and Satellite internal communications system.

BACKGROUND

Hungary is currently endeavoring to restore a balance in its foreign trade and to rebuild its export trade position to the pre-revolt level when for the first time the country was able to achieve an export surplus with non-bloc as well as with bloc countries. The 1958 plan envisions a 22 percent increase in exports and a 12 percent decrease in imports. This has involved some reorganization and possibly redirection of foreign trade. Since the inception of the Kadar regime, certain individual enterprises have been given authority to deal directly with foreign buyers and sellers. Sizeable credits from the USSR and other Bloc members have greatly increased Hungary's foreign indebtedness, at the same time linking the Hungarian economy more tightly to the Bloc because of the repayments which must be made commencing in 1959.

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BASIC GUIDANCE

Detailed plans for the future geographic distribution of Hungarian foreign trade are required to analyze the possibilities for Hungary's success in meeting its commitments and the strength or weakness of its ties to the Bloc countries. Other requirements include commercial and financial relations with Bloc and non-bloc countries; copies of Hungarian trade agreements or protocols with Bloc countries containing details as to commodities, prices and payments arrangements; classified copies of the current five-year or any annual foreign trade plans; and reports on the volume and character of foreign trade.

Detailed data on foreign trade prices, giving quantities, values and countries of origin or destination for commodities; detailed information on the relationship between internal and foreign trade prices; Hungarian indebtedness to Bloc and non-bloc countries; Hungary's foreign exchange and gold position. An annual report of ARPOLITIKAIOSZTALY (the organization maintaining the special price equalization fund) showing forint prices of exports, the ruble receipts from the same exports, subsidies paid to enterprises manufacturing such goods, and similar data for imports, is a priority target.

TARGETS

<u>No.</u>	<u>Target</u>	<u>Location</u>
1	Classified documents showing relationship between internal and foreign trade prices.	Ministry of Finance; ARPOLITIKAIOSZTALY; or individual foreign trade monopolies, Budapest.
2	Documents relating to Hungarian indebtedness to Bloc or non-bloc countries and payments thereon. Data on Hungary's foreign exchange or gold holdings. Documents relating to the settlement of trade balances, annually, with Bloc countries.	National Bank of Hungary; Ministry of Finance, Budapest.

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<u>No.</u>	<u>Target</u>	<u>Location</u>
3	Classified version of foreign trade portion of five-year plan or any of the annual plans.	State Planning Commission; Ministry of Foreign Trade.
4	Classified reports on recent trade and credit agreements with the USSR.	Ministries of Foreign Trade and Finance, Budapest or Moscow.

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